

KANE COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kane County as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kane County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Western Kane County Special Service District, Glen Canyon Special Service District, Kane County Human Resource Special Service District, and East Zions Special Service District, which represents 86 percent and 92 percent, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Western Kane County Special Service District, Glen Canyon Special Service District, Kane County Human Resource Special Service District, and East Zions Special Service District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kane County as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2006, on our consideration of Kane County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, condition assessment of the County's infrastructure and budgetary comparison information on pages 6 through 14, 48 and 49 through 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kane County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial evidence supporting the amounts and disclosures in the financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

February 22, 2006
Richfield, Utah

KANE COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Kane County's financial performance provides an overview of the County's financial activities for the year ending December 31, 2005. This report is in conjunction with the County's financial statements.

All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The purpose of the County is to provide general services to its residents which includes general government, public safety, public health, highways and public improvements, park and recreation, and economic development. Additional services provided to residents in the unincorporated areas include road maintenance and fire control.

Financial Highlights

- * The assets of Kane County exceeded its liabilities as of the close of the most recent year by \$25,618 (*net assets*). Of this amount, \$2,805 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by \$70. The revenues did not meet or exceed the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the Kane County governmental funds reported combined ending fund balances of \$5103, a decrease of \$341 in comparison with the prior year. Approximately 55 percent of this total amount, \$2,805 is available for spending at the government's discretion (*unreserved fund balance*).
- * At the end of the current year, unreserved fund balance for the general fund was \$1,123, or 26 percent of total general fund expenditures.
- * Kane County's total debt decreased by \$440 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Kane County's basic financial statements. Kane County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Kane County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Kane County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Kane County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Kane County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Kane County include general government, public safety, public health, highways and public improvements, parks and recreation, and economic development. There are no business-type activities in the financial statements of Kane County.

The government-wide financial statements include not only Kane County itself (*known as the primary government*) but also seven legally separate special service districts, one for recreation and transportation, four for municipal services, one is for the landfill and one is for the operation of the Kane county Hospital. Kane County is financially accountable for all of them. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kane County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kane County can be divided into two categories: governmental funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kane County maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, B-Road Fund, Hospital Fund and Municipal Building Authority Fund, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Kane County adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those fund are *not* available to support Kane County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Refer to the table of contents for the location of the basic fiduciary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Kane County.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kane County, assets exceeded liabilities by \$25,618 at the close of the most recent fiscal year.

By far the largest portion of Kane County's net assets (80 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Kane County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Kane County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities:**Kane County's Net Assets**

| | <u>2004</u> | <u>2005</u> |
|--|---------------|---------------|
| Current and Other Assets | 5,494 | 5,387 |
| Capital Assets | <u>23,199</u> | <u>23,033</u> |
| Total Assets | <u>28,693</u> | <u>28,420</u> |
| Long-Term Liabilities Outstanding | 2,829 | 1,946 |
| Other Liabilities | <u>177</u> | <u>856</u> |
| Total Liabilities | <u>3,006</u> | <u>2,802</u> |
| Net Assets: | | |
| Invested in Capital Assets - Net of Related Debt | 20,370 | 20,516 |
| Restricted | 2,598 | 2,297 |
| Unrestricted | <u>2,720</u> | <u>2,805</u> |
| Total Net Assets | <u>25,688</u> | <u>25,618</u> |

A portion of Kane County's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,805) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Kane County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities decreased Kane County's net assets by \$70. Key elements of this decrease follows:

Kane County's Changes in Net Assets

| | <u>2004</u> | <u>2005</u> |
|------------------------------------|--------------|--------------|
| Revenues: | | |
| Program Revenues: | | |
| Charges For Services | 1,007 | 1,316 |
| Operating Grants and Contributions | <u>2,259</u> | <u>2,112</u> |
| General Revenues: | | |
| Property Taxes | 1,844 | 2,195 |
| Other Taxes | 1,719 | 1,918 |
| Unrestricted Investment Earnings | 130 | 130 |
| Other | <u>393</u> | <u>151</u> |
| Total Revenues | <u>7,352</u> | <u>7,822</u> |

Kane County's Changes in Net Assets (Continued)

| | <u>2004</u> | <u>2005</u> |
|---------------------------------------|-------------------|-------------------|
| Expenses: | | |
| General Government | 2,806 | 2,918 |
| Public Safety | 1,820 | 1,659 |
| Public Health | 737 | 989 |
| Highways and Public Improvements | 1,702 | 1,707 |
| Contributions | 31 | 0 |
| Parks and Recreation | 50 | 69 |
| Economic Development/County Promotion | 318 | 518 |
| Interest on Long-Term Debt | 119 | 32 |
| Landfill | - | - |
| | <u>7,583</u> | <u>7,892</u> |
| Total Expenses | | |
| | <u>7,583</u> | <u>7,892</u> |
| Increase in Net Assets | (231) | (70) |
| Net Assets - Beginning | 26,325 | 25,688 |
| Prior Period Adjustment | <u>(406)</u> | <u>0</u> |
| Net Assets - End | <u>25,688</u> | <u>25,618</u> |

Charges for services increased by \$309

Operating grants decreased by \$147.

Property taxes increased by \$351.

Other taxes increased by \$199 of which the majority was sales tax. This increase results from increased taxable sales in the County.

Financial Analysis of the Government's Funds

As noted earlier, Kane County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Kane County's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Kane County's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Kane County's governmental funds reported combined ending fund balances of \$5,103, a decrease of \$341 in comparison with the prior year. Approximately 55 percent of this amount \$2,806 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements \$2,226 and to Other Funds \$71.

The general fund is the chief operating fund of Kane County. At the end of the current year, unreserved fund balance of the general fund was \$1,123, while total fund balance reached \$1,123. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights

During the year the actual revenues were less than budgeted revenues by \$249 and actual expenditures were less than budgeted expenditures by \$205.

Capital Asset and Debt Administration

Capital Assets

Kane County's investment in capital assets for its governmental activities as of December 31, 2005, amounts to \$23,033 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and bridges.

Also, the County has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

Kane County's Capital Assets (net of depreciation)

| | <u>2004</u> | <u>2005</u> |
|----------------|---------------|---------------|
| Land | 994 | 994 |
| Infrastructure | 8,926 | 8,926 |
| Rights of Way | 6,570 | 6,570 |
| Buildings | 5,159 | 5,052 |
| Equipment | <u>1,550</u> | <u>1,491</u> |
| Total | <u>23,199</u> | <u>23,033</u> |

Additional information on Kane County's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Kane County had total bonded debt outstanding of \$2,318. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Kane County's Outstanding Debt

| | <u>2004</u> | <u>2005</u> |
|---|--------------|--------------|
| 1996 Revenue Bonds | - | - |
| 2002 CIB Revenue Bonds | 1,000 | 1,000 |
| 2003 Kane County Hospital Revenue Bonds | <u>1,724</u> | <u>1,318</u> |
| Total | <u>2,724</u> | <u>2,318</u> |

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 percent of its total fair market value of taxable property in the County (\$959,612). Kane County has no general obligation debt outstanding with the 2003 retirement of the Series 1996 Hospital Bond. General Obligation Bonds are debts that are secured by taxing real and personal property for the payments. Revenue Bonds are debts secured by a determined and allocated revenue source outside of property taxes.

Additional information on Kane County's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

- * The unemployment rate for Kane County is 5.1. This is slightly higher than the State's average unemployment rate of 3.7 percent and lower than the national average rate of 5.4 percent which is consistent with prior years because of our rural nature.

These factors were considered in preparing Kane County's budget for 2006 year.

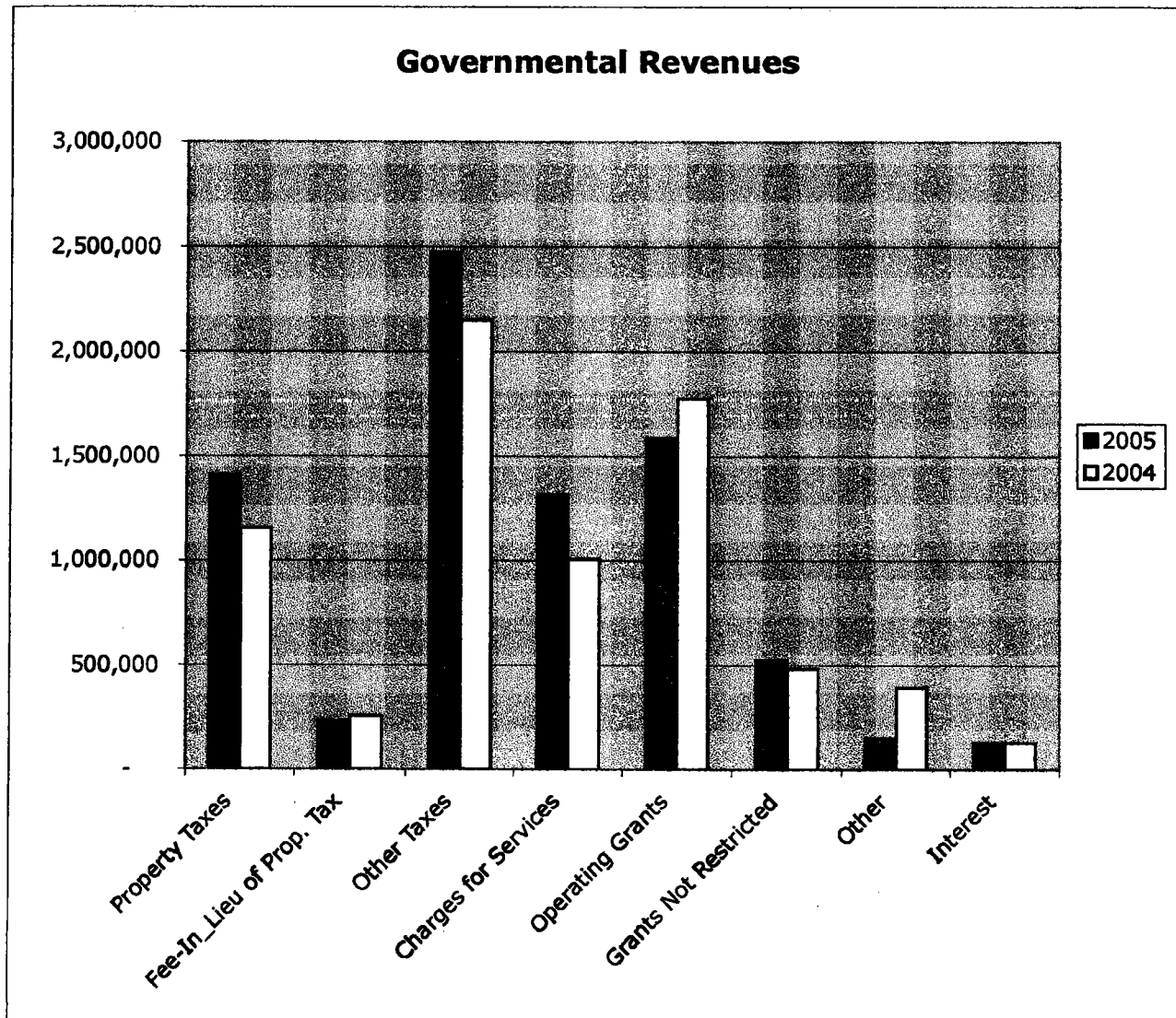
Other revenue sources have remain stable.

Request for Information

This financial report is designed to provide a general overview of Kane County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Kane County Clerk/Auditor, 76 North Main, Kanab, Utah, 84741.

KANE COUNTY
Governmental Revenues
For The Years Ending December 31, 2005 and 2004

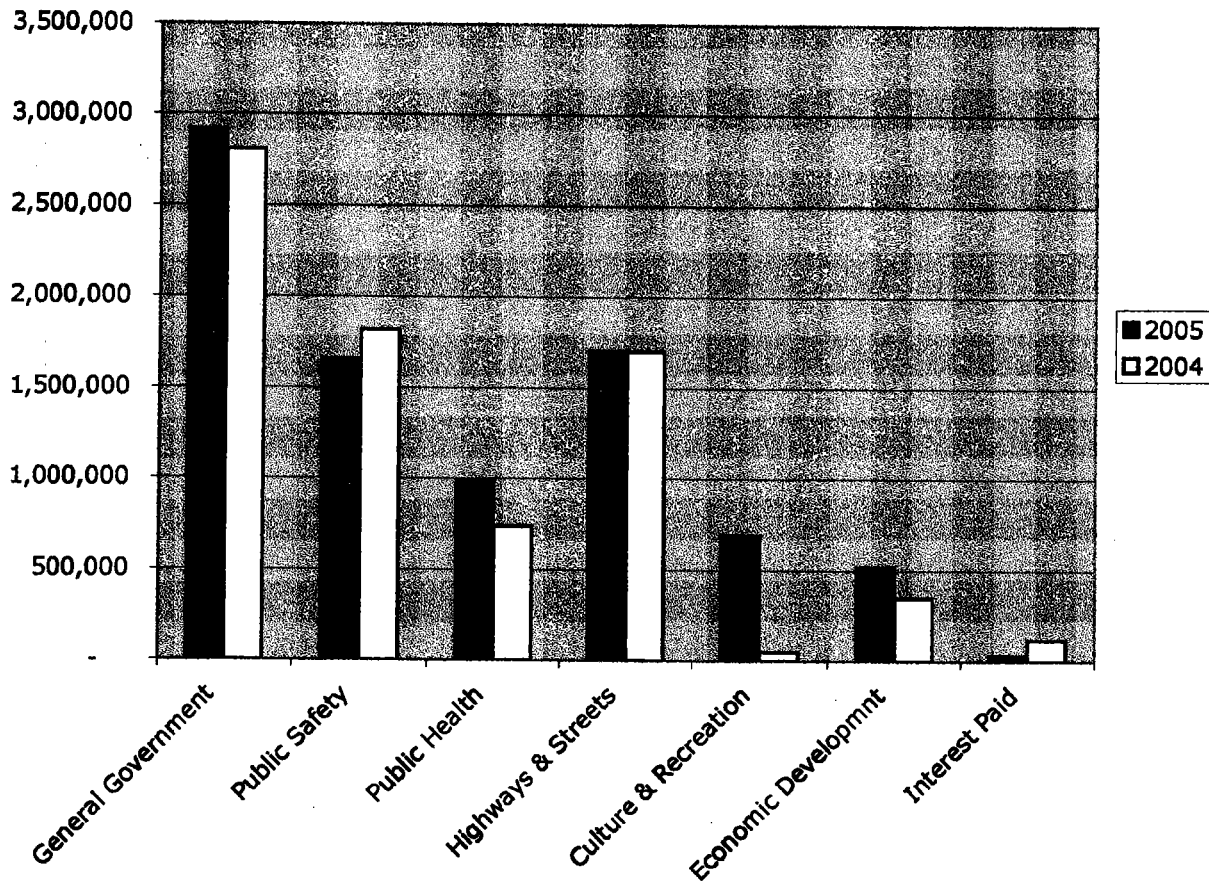
| | 2005 | 2004 |
|--------------------------|-------------------------|-------------------------|
| Property Taxes | 1,408,590 | 1,156,150 |
| Fee-In_Lieu of Prop. Tax | 232,366 | 256,252 |
| Other Taxes | 2,472,263 | 2,150,374 |
| Charges for Services | 1,315,780 | 1,007,397 |
| Operating Grants | 1,587,903 | 1,774,629 |
| Grants Not Restricted | 524,098 | 484,253 |
| Other | 150,913 | 393,152 |
| Interest | 130,483 | 129,735 |
| Total Revenues | <u>7,822,396</u> | <u>7,351,942</u> |



KANE COUNTY
Governmental Expenditures
For The Years Ending December 31, 2005 and 2004

| | 2005 | 2004 |
|---------------------------|------------------|------------------|
| General Government | 2,917,770 | 2,805,908 |
| Public Safety | 1,658,520 | 1,820,162 |
| Public Health | 988,790 | 737,055 |
| Highways & Streets | 1,707,353 | 1,701,440 |
| Culture & Recreation | 691,960 | 50,435 |
| Economic Developmnt | 518,594 | 348,970 |
| Interest Paid | 31,794 | 119,306 |
| Total Expenditures | 8,514,781 | 7,583,276 |

Governmental Expenditures



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**KANE COUNTY
STATEMENT OF NET ASSETS**

December 31, 2005

| | Primary Government Governmental Activities | Component Units |
|---|---|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | 5,113,961 | 3,700,768 |
| Accounts Receivable | - | 2,000,327 |
| Due From Other Government Units | 268,940 | 300,856 |
| Inventory | - | 108,382 |
| Prepaid Expenses | - | 148,409 |
| Total Current Assets | <u>5,382,901</u> | <u>6,258,742</u> |
| Noncurrent Assets: | | |
| Restricted Cash and Cash Equivalents | 3,666 | 857,934 |
| Bond Costs (Net) | - | 44,384 |
| Accounts Receivable | - | 138,892 |
| Note Receivable | - | 140,550 |
| Capital Assets (Net of Accumulated Depreciation): | | |
| Land | 994,336 | 371,441 |
| Buildings | 5,052,413 | 3,939,786 |
| Equipment | 1,116,755 | 1,385,146 |
| Vehicles | 374,706 | 2,118,519 |
| Rights of Way | 6,569,819 | - |
| Infrastructure | 8,925,738 | - |
| Total Noncurrent Assets | <u>23,037,433</u> | <u>8,996,652</u> |
| TOTAL ASSETS | <u>28,420,334</u> | <u>15,255,394</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 234,629 | 269,387 |
| Accrued Liabilities | 49,409 | 316,244 |
| Note Payable | - | 1,025 |
| Deferred Revenue | - | 157,025 |
| Bond Interest Payable | 1,940 | - |
| Capital Leases Payable - Due Within One Year | 35,584 | - |
| G. O. Bonds Payable - Due Within One Year | - | 494,713 |
| Revenue Bonds Payable - Due Within One Year | 535,078 | 45,664 |
| Total Current Liabilities | <u>856,640</u> | <u>1,284,058</u> |
| Noncurrent Liabilities: | | |
| G. O. Bonds Payable - More Than One Year | - | 1,543,176 |
| Revenue Bonds Payable - More Than One Year | 1,783,197 | 711,600 |
| Estimated Closure and Postclosure Costs | - | 59,500 |
| Compensated Absences | 162,553 | - |
| Total Noncurrent Liabilities | <u>1,945,750</u> | <u>2,314,276</u> |
| TOTAL LIABILITIES | <u>2,802,390</u> | <u>3,598,334</u> |
| NET ASSETS | | |
| Investment in Capital Assets, Net of Debt | 20,515,415 | 5,064,212 |
| Restricted | 2,297,134 | 1,053,214 |
| Unrestricted | 2,805,395 | 5,539,634 |
| TOTAL NET ASSETS | <u>25,617,944</u> | <u>11,657,060</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>28,420,334</u> | <u>15,255,394</u> |

The notes to the financial statements are an integral part of this statement.

**KANE COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

| Function/Programs Primary Government: | Net (Expense) Revenues and Changes in Net Assets | | | |
|--|--|----------------------|--|--------------------|
| | Primary Government | | | Component Units |
| | Expenses | Charges for Services | Program Revenues Operating Grants/ Contributions | |
| Governmental Activities: | | | Capital Grants/ Contributions | |
| General Government | 2,917,770 | 870,354 | 148,011 | |
| Public Safety | 1,658,520 | 280,971 | 167,493 | (1,899,405) |
| Public Health | 986,790 | 18,772 | 219,048 | (1,210,056) |
| Highways and Public Improvements | 1,707,353 | 87,887 | 1,053,351 | (750,970) |
| Park and Recreation | 69,190 | 16,568 | - | (566,115) |
| County Promotion | 518,594 | 41,228 | - | (52,622) |
| Interest on Long-Term Debt | 31,794 | - | - | (477,366) |
| | | | | (31,794) |
| Total Primary Government | 7,892,011 | 1,315,790 | 1,587,903 | (4,988,328) |
| Component Units: | | | | |
| Cedar Mountain Fire District | 389,853 | 2,468 | 145,253 | (242,132) |
| Western Kane District | 545,967 | 682,102 | - | 136,135 |
| Hospital District | 7,995,628 | 7,778,289 | 259,363 | 42,024 |
| Church Wells District | 66,802 | 60,106 | 28,710 | 22,014 |
| Glen Canyon District | 173,677 | 154,924 | 25,740 | 6,987 |
| East Zions District | 102,225 | 110,087 | - | 7,862 |
| | | | | |
| Total Component Units | 9,274,152 | 8,787,976 | 459,066 | (27,110) |
| General Revenues: | | | | |
| Property Taxes | | | | |
| Fee-In-Lieu of Property Taxes | | | | |
| Assessing and Collecting Taxes | | | | |
| Sales Taxes | | | | |
| Restaurant Tax | | | | |
| Transient Room Tax | | | | |
| Property Assessment Fees | | | | |
| Grants and Contributions Not Restricted to Specific Programs | | | | |
| Unrestricted Investment Earnings | | | | |
| Gain on Trade-In of Capital Assets | | | | |
| Miscellaneous | | | | |
| | 1,408,590 | 1,408,590 | | - |
| | 232,366 | 232,366 | | - |
| | 554,188 | 554,188 | | - |
| | 1,478,145 | 1,478,145 | | 1,124,552 |
| | 91,090 | 91,090 | | - |
| | 348,840 | 348,840 | | - |
| | - | - | | 575,532 |
| | 524,098 | 524,098 | | - |
| | 130,483 | 130,483 | | 84,157 |
| | 89,058 | 89,058 | | 4,266 |
| | 61,855 | 61,855 | | - |
| | 4,918,713 | 4,918,713 | | 1,788,507 |
| Total General Revenues and Transfers | | | | |
| Change in Net Assets | | | | 1,761,397 |
| Net Assets - Beginning | | | | 9,895,663 |
| Net Assets - Ending | | | | 11,657,060 |

The notes to the financial statements are an integral part of this statement.

**KANE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

| | General Fund | Class B Roads | Courthouse MBA | Hospital | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|-------------------|----------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | 1,342,159 | 2,069,470 | 1,188,198 | 170,978 | 343,156 | 5,113,961 |
| Restricted Cash - Bond Reserves | - | - | - | - | 3,666 | 3,666 |
| Due From Other Government Units | 18,794 | 157,916 | - | - | 92,230 | 268,940 |
| TOTAL ASSETS | <u>1,360,953</u> | <u>2,227,386</u> | <u>1,188,198</u> | <u>170,978</u> | <u>439,052</u> | <u>5,386,567</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accrued Liabilities | 47,353 | 1,394 | - | - | 662 | 49,409 |
| Accounts Payable | 191,081 | 262 | 62 | 38,812 | 4,412 | 234,629 |
| Total Liabilities | <u>238,434</u> | <u>1,656</u> | <u>62</u> | <u>38,812</u> | <u>5,074</u> | <u>284,038</u> |
| Fund Balances: | | | | | | |
| Reserved For: | | | | | | |
| Class "B" Road | - | 2,225,730 | - | - | - | 2,225,730 |
| Transient Room Tax | - | - | - | - | 67,738 | 67,738 |
| Debt Service | - | - | - | - | 3,666 | 3,666 |
| Unreserved, Reported In: | | | | | | |
| General Fund | 1,122,519 | - | - | - | - | 1,122,519 |
| Special Revenue Funds | - | - | 1,188,136 | 132,166 | 362,574 | 1,682,876 |
| Total Fund Balance | <u>1,122,519</u> | <u>2,225,730</u> | <u>1,188,136</u> | <u>132,166</u> | <u>433,978</u> | <u>5,102,529</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>1,360,953</u> | <u>2,227,386</u> | <u>1,188,198</u> | <u>170,978</u> | <u>439,052</u> | <u>5,386,567</u> |

The notes to the financial statements are an integral part of this statement.

KANE COUNTY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

December 31, 2005

| | |
|---|-----------|
| Total Fund Balances - Governmental Fund Types | 5,102,529 |
|---|-----------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | | |
|----------------|------------------|------------|
| Land | 994,336 | |
| Buildings | 5,052,413 | |
| Equipment | 1,116,755 | |
| Vehicles | 374,706 | |
| Rights of Way | 6,569,819 | |
| Infrastructure | <u>8,925,738</u> | |
| Total | | 23,033,767 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|------------------------|------------------|--------------------|
| Bond Interest Payable | (1,940) | |
| Capital Leases Payable | (35,584) | |
| Revenue Bonds Payable | (2,318,275) | |
| Compensated Absences | <u>(162,553)</u> | |
| Total | | <u>(2,518,352)</u> |

| | |
|-------------------------------------|--------------------------|
| Net Assets of Government Activities | <u><u>25,617,944</u></u> |
|-------------------------------------|--------------------------|

KANE COUNTY **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

| | General Fund | Class B Roads | Courthouse MBA | Hospital | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|------------------|------------------|--------------------------|--------------------------|
| Revenues: | | | | | | |
| Property Taxes | 2,195,144 | - | - | - | - | 2,195,144 |
| Other Taxes | - | - | - | - | 439,930 | 439,930 |
| Sales Taxes | 366,668 | - | - | 1,111,477 | - | 1,478,145 |
| Licenses and Permits | 281,149 | - | - | - | - | 281,149 |
| Intergovernmental | 724,482 | - | - | 137,523 | 315,242 | 2,230,598 |
| Charges for Services | 331,724 | 1,053,351 | - | - | - | 416,667 |
| Fines and Forfeitures | 344,754 | 84,943 | - | - | - | 344,754 |
| Interest | 15,911 | 70,259 | 38,081 | 4,420 | 1,812 | 130,483 |
| Miscellaneous | 61,854 | - | 7,215 | - | 147,399 | 216,468 |
| Total Revenues | 4,321,686 | 1,208,553 | 45,296 | 1,253,420 | 904,383 | 7,733,338 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 2,557,458 | - | - | - | 71,260 | 2,628,718 |
| Public Safety | 1,500,766 | - | 12,205 | - | 162,376 | 1,675,347 |
| Public Health | 84,539 | - | - | 706,128 | 198,123 | 988,790 |
| Highways and Public Improvements | 24,475 | 1,508,039 | - | - | - | 1,532,514 |
| Parks and Recreation | 49,701 | - | - | - | 172,882 | 222,583 |
| County Promotion | 61,552 | - | - | - | 457,042 | 518,594 |
| Debt Service: | | | | | | |
| Principal | - | 34,214 | - | 406,153 | - | 440,367 |
| Interest | - | 2,792 | - | 64,854 | - | 67,646 |
| Total Expenditures | 4,278,491 | 1,545,045 | 12,205 | 1,177,135 | 1,061,683 | 8,074,559 |
| Excess of Revenues Over (Under) Expenditures | 43,195 | (336,492) | 33,091 | 76,285 | (157,300) | (341,221) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers In | - | - | 27,000 | - | 87,364 | 114,364 |
| Transfers Out | (87,364) | - | - | - | (27,000) | (114,364) |
| Total Other Financing | (87,364) | - | 27,000 | - | 60,364 | - |
| Net Change In Fund Balance | (44,169) | (336,492) | 60,091 | 76,285 | (96,936) | (341,221) |
| Fund Balance - Beginning | 1,166,688 | 2,562,222 | 1,128,045 | 55,881 | 530,914 | 5,443,750 |
| Fund Balance - Ending | 1,122,519 | 2,225,730 | 1,188,136 | 132,166 | 433,978 | 5,102,529 |

The notes to the financial statements are an integral part of this statement.

KANE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|-----------|
| Net Changes in Fund Balances - Total Governmental Funds | (341,221) |
|---|-----------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

| | | |
|----------------------|------------------|-----------|
| Capital Outlays | 385,000 | |
| Depreciation Expense | <u>(639,345)</u> | |
| Total | | (254,345) |

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

| | | |
|--------------------------------------|-----------------|---------|
| Payments on Long-Term Debt | 440,367 | |
| Decrease in Accrued Interest Payable | 33,060 | |
| Increase in Compensated Absences | <u>(36,534)</u> | |
| Total | | 436,893 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | |
|-------------------------------|---------------|
| Gain on Trade-In of Equipment | <u>89,058</u> |
|-------------------------------|---------------|

| | |
|--|------------------------|
| Changes In Net Assets of Governmental Activities | <u><u>(69,615)</u></u> |
|--|------------------------|

**KANE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND**

December 31, 2005

ASSETS:

| | |
|----------------------|-----------------------|
| Cash and Investments | 523,718 |
| Taxes Receivable | <u>81,213</u> |
| TOTAL ASSETS | <u>604,931</u> |

LIABILITIES:

| | |
|--------------------------|-----------------------|
| Collections Payable | 128,028 |
| Due to Taxing Units | <u>476,903</u> |
| TOTAL LIABILITIES | <u>604,931</u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Kane County have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended December 31, 2005.

A. Reporting Entity

For financial reporting purposes, Kane County has included all funds. The County has also considered all potential component units for which it is financially accountable and that exclusion would cause the County's financial statements to be misleading or incomplete. Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include (1) appointing a voting majority of an organization's governing body and (2) the ability of the County to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

As required by generally accepted accounting principles, these financial statements present Kane County (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Complete financial statements of the individual component units, that issued separate financial statements, can be obtained from the Kane County Auditor's office.

Discrete Component Units:

These component units are entities which are legally separate from the County, but are financially accountable to the County or whose relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The County must approve their tax rates and debt. The County could also take away their operating authority and could dissolve the District. Each of these districts was organized under the State of Utah's Statute for special service districts, Section 17A-2-1300. The component units column of the combined financial statements include the financial data of the following entities:

- * Cedar Mountain Fire Protection District (Governmental Fund Type) - This District was organized by the Kane County Commissioners under the laws of the State of Utah on March 13, 1995. The District operates under a board of directors and provides fire protection to the residents of the District. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- * Kane County Recreation and Transportation Special Service District (Governmental Fund Type) - This District was organized by the Kane County Commissioners under the laws of the State of Utah on October 1, 1996. The District operates under a board of directors and provides recreation and transportation capital projects, exclusive of electronic sites, on a County wide basis. There was no activity during 2005.
- * Western Kane County Special Service District #1 (Proprietary Fund Type) - This District was organized by the Kane County Commissioners under the laws of the State of Utah. The District operates under a board of directors and provides garbage disposal and television signal reception to the residents of Kane County. The District was audited by other independent auditors, and their report, dated June 8, 2006, has been previously issued under separate cover. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.
- * Glen Canyon Special Service District #1 (Proprietary Fund Type) - This District was created July 31, 1979 by resolution of the County Commission of Kane County, Utah, as an enterprise fund. The five board members were appointed by the County Commissioners. The District was created to provide water utility service to the Town of Big Water, Utah. The District was audited by other independent auditors, and their report dated June 5, 2006, has been previously issued under separate cover. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.
- * Kane County Human Resource Special Service District, dba Kane County Hospital (Proprietary Fund Type) - This District was established under provisions of Utah Special Service District Act. The District is governed by a seven member Board of Trustees initially appointed by the Kane County Board of Commissioners. After initial appointment, voting board members will be elected for four-year terms. The Board of Trustees has charge of the administration, maintenance and control of the Special Service District, dba Kane County Hospital which consists of a hospital, ambulatory care facility, and an ambulance service. The District was audited by other independent auditors, and their report, dated March 30, 2006, has been previously issued under separate cover. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.
- * Church Wells Special Service District (Proprietary Fund Type) - This District was created by the adoption of a resolution to establish a special service district by the Kane County Commission on January 1, 1980. The District was created to provide water utility service to residents of the District. A copy of the report can be obtained at the Kane County Auditor's office in Kanab, Utah.

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- * East Zion Special Service District (Proprietary Fund Type) - This District was organized by Kane County Commissioners under the laws of the State of Utah on January 8, 2001. The District operates under a board of Directors and is authorized to operate wastewater collection and treatment facilities, and culinary water services to service all persons and property located within the boundaries of the District, and to provide all things related and necessary to carrying out these purposes. The Governing Board will be composed of not less than 3 or more than 5 members, all appointed by the County Commission upon recommendation of the owners of property within the District. The District was audited by other independent auditors, and their report, dated July 10, 2006, has been previously issued under separate cover. A copy of the can be obtained at the Kane County Auditor's office in Kanab, Utah.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kane County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The B Road Fund receives funding from the State Department of Transportation to be expended on eligible B Roads in the County.

The Municipal Building Authority accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Hospital Fund receives designated tax monies which are transferred to the local hospital for their debt service payment.

The Government also reports the following Other Governmental Funds:

Restaurant Tax, E-911, County Fair, Narcotics Task Force, Arena Revenue Bonds, Transient Room Tax, Special Payroll Funds, Council on Aging, Victims Advocate, Reimbursable Grant and Aero Division. These funds account for those revenues that are restricted for certain expenditures.

Additionally the Government reports the following fund type:

The Treasurer's Tax Collection Agency Fund is used to account for taxes collected by the County Treasurer but not paid as of December 31 to the taxing entities within the County.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| | |
|-----------------------------------|----------|
| Buildings | 40 Years |
| Improvements Other Than Buildings | 20 Years |
| Equipment | 5 Years |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences:

At year end the County was liable for vacation pay and compensatory time. The liability was computed according to the personnel policy.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the County by Kane County and remitted to the County shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable November 1, and are delinquent after November 30. All dates are in the year of levy.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the County Auditor and County Commissioners on or before December 15 for the following fiscal year beginning January 1. Estimated revenues and appropriations may be increased or decreased by resolution of the County Commissioners at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the County's budgetary control (the level at which the County's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. The maximum in the General Fund may not exceed 50% of the General Fund's total revenue.

Once adopted, the budget may be amended by the County Commissioners without a public hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Commissioners, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end the carrying amount of the County's deposits for the Primary Government was \$975,561 and bank balance was \$1,289,798. Of the bank balances, \$150,000 was covered by federal depository insurance. At year-end the carrying amount of the component units was \$1,849,248 and the bank balance was \$1,973,268. Of the bank balance, \$740,548 was covered by federal depository insurance. Utah state statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Primary Government:

Cash and investments as of December 31, 2005, consist of the following:

| | <u>Fair Value</u> |
|----------------------------|-------------------------|
| Demand Deposits | 975,561 |
| Investments - PTIF | 4,156,850 |
| Repurchase Agreements | <u>508,932</u> |
| Total Cash and Investments | <u><u>5,641,343</u></u> |

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

| | |
|--|-------------------------|
| Governmental Activities - Unrestricted | 2,888,231 |
| Governmental Activities - Restricted | 2,229,396 |
| Fiduciary Funds | <u>523,716</u> |
| Total Cash and Cash Equivalents | <u><u>5,641,343</u></u> |

Component Units:

Cash and investments as of December 31, 2005, consist of the following:

| | <u>Fair Value</u> |
|----------------------------|-------------------------|
| Demand Deposits | 1,853,447 |
| Investments - PTIF | <u>2,705,255</u> |
| Total Cash and Investments | <u><u>4,558,702</u></u> |

Cash and investments in component units listed above are classified in the accompanying government-wide statement of net assets as follows:

| | |
|---------------------------------|-------------------------|
| Unrestricted | 3,700,768 |
| Restricted | <u>857,934</u> |
| Total Cash and Cash Equivalents | <u><u>4,558,702</u></u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that County funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the UMMA (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council (the Council). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the UMMA. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of December 31, 2005, \$825,561 of the local government's bank balances of \$975,561 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2005, the local governments has investments of \$4,156,850 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The local government's policy to limit this risk is to adhere to the rules of the Money Management council. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - REVENUE RECOGNITION - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent January 15 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

NOTE 4 - DUE FROM OTHER GOVERNMENT UNITS

Due from other governmental units is comprised of the following:

| | |
|--|----------------|
| Class B Road Allotment - State of Utah | 157,916 |
| Narcotics Strike Force - State Reimbursement | 56,302 |
| Forest Reserve | 18,794 |
| Other Grants | 16,130 |
| Special Service Districts Payroll Reimbursements | 19,798 |
| | <hr/> |
| Total | <u>268,940</u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005, was as follows:

Primary Government:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------------|---------------------------|------------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 994,336 | - | - | 994,336 |
| Rights of Way | 6,569,819 | - | - | 6,569,819 |
| Infrastructure | 8,925,738 | - | - | 8,925,738 |
| Total Capital Assets Not Being Depreciated | <u>16,489,893</u> | <u>-</u> | <u>-</u> | <u>16,489,893</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 8,045,300 | 167,000 | - | 8,212,300 |
| Equipment | 3,203,973 | 552,499 | 334,051 | 3,422,421 |
| Total Capital Assets Being Depreciated | <u>11,249,273</u> | <u>719,499</u> | <u>334,051</u> | <u>11,634,721</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 2,885,144 | 273,743 | - | 3,158,887 |
| Equipment | 1,654,968 | 365,602 | 88,610 | 1,931,960 |
| Total Accumulated Depreciation | <u>4,540,112</u> | <u>639,345</u> | <u>88,610</u> | <u>5,090,847</u> |
| Total Capital Assets Being Depreciated (Net) | <u>6,709,161</u> | <u>80,154</u> | <u>245,441</u> | <u>6,543,874</u> |
| Governmental Activities Capital Assets, Net | <u><u>23,199,054</u></u> | <u><u>80,154</u></u> | <u><u>245,441</u></u> | <u><u>23,033,767</u></u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

| | |
|----------------------------------|-----------------------|
| General Government | 290,638 |
| Public Safety | 84,091 |
| Highways and Public Improvements | 251,009 |
| Parks and Recreation | <u>13,607</u> |
| Total Depreciation Expense | <u><u>639,345</u></u> |

Component Units:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land and Water | <u>-</u> | <u>122,127</u> | <u>-</u> | <u>122,127</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 395,033 | 390 | - | 395,423 |
| Equipment | <u>164,648</u> | <u>45,106</u> | <u>-</u> | <u>209,754</u> |
| Total Capital Assets Being Depreciated | <u>559,681</u> | <u>45,496</u> | <u>-</u> | <u>605,177</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 43,895 | 8,779 | - | 52,674 |
| Equipment | <u>12,408</u> | <u>8,989</u> | <u>-</u> | <u>21,397</u> |
| Total Accumulated Depreciation | <u>56,303</u> | <u>17,768</u> | <u>-</u> | <u>74,071</u> |
| Total Capital Assets Being Depreciated (Net) | <u>503,378</u> | <u>27,728</u> | <u>-</u> | <u>531,106</u> |
| Governmental Activities Capital Assets, Net | <u>503,378</u> | <u>149,855</u> | <u>-</u> | <u>653,233</u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------------|----------------------|---------------------------|
| Business Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | <u>249,314</u> | <u>-</u> | <u>-</u> | <u>249,314</u> |
| Total Capital Assets Not Being Depreciated | <u>249,314</u> | <u>-</u> | <u>-</u> | <u>249,314</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 5,485,520 | 2,005 | - | 5,487,525 |
| Improvements | 2,025,079 | - | - | 2,025,079 |
| Equipment | <u>5,831,199</u> | <u>400,569</u> | <u>19,423</u> | <u>6,212,345</u> |
| Total Capital Assets Being Depreciated | <u>13,341,798</u> | <u>402,574</u> | <u>19,423</u> | <u>13,724,949</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 1,668,078 | 222,410 | - | 1,890,488 |
| Improvements | 581,155 | 58,778 | - | 639,933 |
| Equipment | <u>3,787,157</u> | <u>500,037</u> | <u>5,010</u> | <u>4,282,184</u> |
| Total Accumulated Depreciation | <u>6,036,390</u> | <u>781,225</u> | <u>5,010</u> | <u>6,812,605</u> |
| Total Capital Assets Being Depreciated (Net) | <u>7,305,408</u> | <u>(378,651)</u> | <u>14,413</u> | <u>6,912,344</u> |
| Business Type Activities Capital Assets, Net | <u>7,554,722</u> | <u>(378,651)</u> | <u>14,413</u> | <u>7,161,658</u> |
| Total - Government Wide | <u><u>8,058,100</u></u> | <u><u>(228,796)</u></u> | <u><u>14,413</u></u> | <u><u>7,814,891</u></u> |

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 6 - HOSPITAL GENERAL OBLIGATION BONDS

During 1996 the County issued \$6,000,000 in Hospital General Obligation Bonds for the purpose of funding the construction of a new hospital facility in Kanab, Utah. The County also approved a 1% increase in the sales tax rate to insure the debt service payment of approximately \$515,000 per year including interest at an average rate of 4.835%. The County will collect the sales tax monies and then make a contribution to the hospital who will then make the debt service payment. The County owns the hospital facility but the operations of the hospital are being conducted by the Kane County Human Resources Special Service District, a component unity of Kane County.

NOTE 7 - LONG-TERM DEBT

Capital Leases:

The County has entered into lease agreements for financing the acquisition of equipment for the Road Department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

| <u>Year Ending December 31</u> | <u>Payment Amounts</u> |
|---|----------------------------|
| 2006 - Total Minimum Lease Payments | 37,008 |
| Less Amount Representing Interest | <u>(1,424)</u> |
| Present Value of Minimum Lease Payments | <u><u>35,584</u></u> |

The following is a statement of changes in Capital Leases:

| | <u>Outstanding December 31, 2004</u> | <u>Issued</u> | <u>Matured</u> | <u>Outstanding December 31, 2005</u> |
|----------------|--|---------------|----------------|--|
| Capital Leases | <u>74,012</u> | <u>-</u> | <u>37,006</u> | <u><u>37,006</u></u> |

General Obligation and Revenue Bonds:

Bonded Long-Term Debt for the primary government consists of the following at December 31, 2005:

| | |
|--|-------------------------|
| Courthouse MBA Lease Revenue Bond of \$1,000,000 payable in annual installments of varying amounts including interest at 2.5%. | 1,000,000 |
| Hospital Refunding Revenue Bonds payable to Washington Mutual Bank over six years with semi-annual payments including interest at 3.83%. | <u>1,318,275</u> |
| Total Bonds | <u><u>2,318,275</u></u> |

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Courthouse Lease Revenue Bonds:

During the 2002 year Kane County issued lease revenue bonds in the amount of \$1,000,000 for the purpose of financing the costs of constructing improvements to the courthouse facilities. The bonds require annual payments of varying amounts including interest at 2.5%.

The following is the original schedule of debt service charges to maturity (See Note 16):

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| 2006 | 113,000 | 48,600 | 161,600 |
| 2007 | 58,000 | 22,175 | 80,175 |
| 2008 | 60,000 | 20,725 | 80,725 |
| 2009 | 61,000 | 19,225 | 80,225 |
| 2010 | 62,000 | 17,700 | 79,700 |
| 2011-2015 | 340,000 | 64,250 | 404,250 |
| 2016-2020 | 306,000 | 19,300 | 325,300 |
| | <u>1,000,000</u> | <u>211,975</u> | <u>1,211,975</u> |

Kane County Hospital Revenue Bonds:

During the 2003 year the Kane County residents approved the issuance of revenue bonds in the amount of \$2,500,000 through the reenactment of the 1% hospital sales tax. The proceeds of the bonds issued were used to retire the outstanding general obligation bonds in the amount of \$892,000 plus interest. The remaining net funds were placed in a hospital escrow account to be used for capital outlays for the hospital. The County Commission must approve all expenditures of said funds.

The bonds require semi-annual payments including interest at 3.83%. The County will retain 50% of the 1% sales tax or an amount required to meet the bond obligation.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|------------------|
| 2006 | 422,078 | 48,922 | 471,000 |
| 2007 | 438,627 | 32,373 | 471,000 |
| 2008 | 457,570 | 15,225 | 472,795 |
| | <u>1,318,275</u> | <u>96,520</u> | <u>1,414,795</u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in General Obligation and Revenue Bonds:

| Bond Issue: | Date of Issue | Interest Rate | Total Issued | Outstanding December 31, 2004 | Issued | Matured | Outstanding December 31, 2005 |
|---|------------------|------------------|------------------|-------------------------------------|----------|----------------|-------------------------------------|
| Revenue Bonds Payable Courthouse MBA | 2002 | 2.5% | 1,000,000 | 1,000,000 | - | - | 1,000,000 |
| Hospital Refunding Revenue Bond | 2003 | 3.83% | 2,500,000 | 1,724,428 | - | 406,153 | 1,318,275 |
| | | | <u>3,500,000</u> | <u>2,724,428</u> | <u>-</u> | <u>406,153</u> | <u>2,318,275</u> |

Maturity of General Obligation and Revenue Bonds Payable to maturity is as follows:

| | Principal | Interest | Total |
|-----------|------------------|----------------|------------------|
| 2006 | 535,078 | 97,522 | 632,600 |
| 2007 | 496,627 | 54,548 | 551,175 |
| 2008 | 517,570 | 35,950 | 553,520 |
| 2009 | 61,000 | 19,225 | 80,225 |
| 2010 | 62,000 | 17,700 | 79,700 |
| 2011-2015 | 340,000 | 64,250 | 404,250 |
| 2016-2020 | <u>306,000</u> | <u>19,300</u> | <u>325,300</u> |
| | <u>2,318,275</u> | <u>308,495</u> | <u>2,626,770</u> |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Compensated Absences - Vacation and Sick Leave:

At December 31, 2005, the County was liable for vacation pay and compensatory time. The liability of \$162,553 was computed according to the personnel policy.

| | Balance December 31, 2004 | Additions | Deletions | Balance December 31, 2005 |
|----------------------|---------------------------------|-----------|-----------|---------------------------------|
| Compensated Absences | | | | |
| Vacation/Sick Leave | 126,020 | 36,533 | - | 162,553 |

Component Units:

Long-Term Debt for the component units consists of the following at December 31, 2005:

| | Balance December 31, 2004 | Issued | Retired | Balance December 31, 2005 |
|--------------------------|---------------------------------|----------------|----------------|---------------------------------|
| General Obligation Bonds | 2,490,428 | - | 452,539 | 2,037,889 |
| Lease Revenue Bonds | 164,369 | 286,000 | 23,715 | 426,654 |
| Water Revenue Bonds | 352,610 | - | 22,000 | 330,610 |
| Total | 3,007,407 | 286,000 | 498,254 | 2,795,153 |

The following is a summary of debt service charges to maturity for component units:

| | Principal | Interest | Total |
|--------------|------------------|----------------|------------------|
| 2006 | 540,377 | 102,644 | 643,021 |
| 2007 | 561,695 | 81,724 | 643,419 |
| 2008 | 585,429 | 59,903 | 645,332 |
| 2009 | 114,335 | 39,671 | 154,006 |
| 2010 | 118,029 | 35,470 | 153,499 |
| 2011-2015 | 650,565 | 106,578 | 757,143 |
| 2016-2020 | 224,723 | 10,931 | 235,654 |
| Total | 2,795,153 | 436,921 | 3,232,074 |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 8 - MUNICIPAL BUILDING AUTHORITY

During 1996 the County commissioners established a Municipal Building Authority for the purpose of acquiring, improving or extending improvements, facilities or properties and appurtenances to them which the Board of County Commissioners is authorized or permitted by law to acquire. The Building Authority will issue its bonds, notes or other evidences of indebtedness to acquire funds to pay the costs of such projects. The Authority will be funded initially by receipt of the 1% restaurant tax imposed by the County.

NOTE 9 - CLASS B ROADS

The following is a schedule of changes in Class B Roads - Reserved Fund Balance:

| | | |
|---|---------------|-------------------------|
| Reserved Fund Balance - Beginning of Year | | 2,562,222 |
| Revenues: | | |
| State Allotment | 1,053,351 | |
| Reimbursements | 84,943 | |
| Other | <u>70,259</u> | |
| Total Revenues | | 1,208,553 |
| Expenditures: | | |
| Salaries and Fringe Benefits | 445,794 | |
| Supplies and Maintenance | 43,019 | |
| Legal and Professional | 87,948 | |
| Materials and Contracts | 835,639 | |
| Equipment Purchases | 124,763 | |
| Other | <u>7,882</u> | |
| Total Expenditures | | <u>1,545,045</u> |
| Reserved Fund Balance - End of Year | | <u><u>2,225,730</u></u> |

NOTE 10 - TRANSIENT ROOM TAX

The Special Revenue Fund of the County accounts for the receipts and disbursements of Transient Room Tax. This tax money is designated to be spent to promote tourism within the County. The tax money is derived from a 3% tax on transient room rentals in the County.

**KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 11 - MUNICIPAL BUILDING AUTHORITY

The following is a schedule of changes in the Municipal Building Authority:

| | | |
|---------------------------------------|---------------|-------------------------|
| Fund Balance - Beginning of Year | | 1,128,046 |
| Revenue: | | |
| Rents | 6,577 | |
| Interest | 38,081 | |
| Other | 638 | |
| Transfer | <u>27,000</u> | |
| Total Revenue | | 72,296 |
| Expenditures: | | |
| Costs on Proposed Courthouse Addition | | <u>12,206</u> |
| Fund Balance - End of Year | | <u><u>1,188,136</u></u> |

NOTE 12 - NARCOTICS STRIKE FORCE - A SPECIAL REVENUE FUND

The Kane County Narcotics Strike Force is a multi-jurisdictional organization created to continue to enhance cooperation between Federal, State, and Local criminal justice agencies and prosecutors in developing better intelligence and successful investigation and prosecution of multi-jurisdictional crimes and their perpetrators. The Strike Force objective is the identification, apprehension and successful prosecution of narcotic conspirators and to enhance recovery of criminal assets.

The governing board consists of the following:

Kane County Sheriff's Office
Kane County Attorney
Kanab City Chief of Police
Orderville Chief of Police
Utah Department of Investigations
Iron County Task Force Coordinator
Strike Force Narcotics Agent

Kane County has no financial benefit or burden as a result of participating in the Narcotics Strike Force Organization. The County is not liable for any debts incurred by the Strike Force.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 13 - TRANSFERS

| <u>Description</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General | - | 87,364 |
| Fair | 11,550 | - |
| Council On Aging | 69,814 | - |
| 1% Restaurant Tax | 27,000 | - |
| AERO | 6,000 | - |
| Municipal Building Authority | - | 27,000 |
| | <u>114,364</u> | <u>114,364</u> |

Transfers were made for the following purposes:

* The General Fund transferred \$11,550 to the Fair Board, \$69,814 to the Council on Aging and \$6,000 to the AERO Fund for operational activities.

* The Restaurant Tax Fund transferred \$27,000 to the Municipal Building Authority for payment of related debt.

NOTE 14 - STATE OF UTAH RETIREMENT PLANS

Local Governmental - Cost Sharing

Plan Description:

Kane County contributes to the Local Governmental Noncontributory Retirement System and Public Safety Other Division A Contributory Retirement System for employers with Social Security coverage, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 14 - STATE OF UTAH RETIREMENT PLANS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the system to which they belong; 1.57% to the Public Safety Contributory System. Kane County is required to contribute a percent of covered salary to the respective systems, 11.90% to the Noncontributory and 18.67% to the Public Safety Contributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Kane County contributions to the various systems for the years ending December 31, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$153,874.42, \$122,546.15 and \$102,240.11; and for the Public Safety Contributory, \$92,041.93, \$73,154.96 and \$58,308.96 respectively. The contributions were equal to the required contributions for each year.

NOTE 15 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Utah Association of Counties Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Counties. Through the Mutual, the County maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$250,150,000 and \$250,000 for liability to a limit of \$2,250,000 with a combined excess aggregate of \$2,250,000 to \$3,250,000.

The Mutual does not provide coverage for all risks and hazards, however, the County has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation, and surety bond coverage.

In 2003 the County provided medical and health through a policy with IHC of Utah. The maximum out-of-pocket expense per person per year is \$1,000 or \$2,000 per family per year.

Claims have not exceeded coverage in any of the last three calendar years.

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 16 - SUBSEQUENT EVENTS

Subsequent to December 31, 2005, the County refunded the Courthouse Lease Revenue Bond proceeds of \$1,000,000 to the State of Utah after determining that the County would not proceed with the construction of an addition to the present courthouse. The amount in the escrow at December 31, 2005 was \$1,171,625.43. The amount of \$1,000,000 plus interest of \$34,896.74 was refunded to the State of Utah. This left \$136,728.69 which was remitted to Kane County on January 31, 2006.

NOTE 17 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

Kane County has seven component units which are described as follows:

Governmental Fund Type:

Cedar Mountain Fire Protection District - The District provides fire protection to the residents of the District.

Kane County Recreation and Transportation Special Service District - The District provides recreation and transportation capital projects, exclusive of electronic sites, on a County wide basis.

Proprietary Fund Types:

Western Kane County Special Service District #1 - The District provides garbage disposal and television signal reception to the residents of Kane County.

Glen Canyon Special Service District #1 - The District was created to provide water utility service to the Town of Big Water, Utah.

Kane County Human Resource Special Service District, dba Kane County Hospital - The District provides health care facilities which consists of a hospital, ambulatory care facility, and ambulance service.

Church Wells Special Service District - The District provides water utility services to the residents of the District.

East Zion Special Service District - The District was created to provide wastewater collection and treatment facilities and culinary water utility service to all within the boundaries of the District.

Condensed financial statements for the year ended December 31, 2005 are on the following pages:

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 17 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

Condensed Statement of Net Assets:

| | Cedar Mountain Fire Protection District | Kane County Recreation and Transportation Special Service District | Western Kane County Special Service District | Glen Canyon Special Service District | Kane County Human Resource Special Service District | Church Wells Special Service District | East Zions Special Service District | Total |
|-------------------------------------|---|--|--|--|---|---|---|------------|
| Current Assets | 968,245 | - | 1,540,267 | 58,968 | 3,613,996 | 25,393 | 51,873 | 6,258,742 |
| Noncurrent Assets: | | | | | | | | |
| Restricted Cash | 12,200 | - | - | 71,143 | 673,391 | - | - | 756,734 |
| Other Noncurrent | - | - | 101,200 | - | 165,193 | 138,892 | 19,741 | 425,026 |
| Capital Assets (Net) | 653,233 | - | 680,588 | 702,512 | 4,749,179 | 271,416 | 757,964 | 7,814,892 |
| Total Assets | 1,633,678 | - | 2,322,055 | 832,623 | 9,201,759 | 435,701 | 829,578 | 15,255,394 |
| Liabilities: | | | | | | | | |
| Current Liabilities | 47,667 | - | 171,672 | 32,560 | 981,744 | 3,000 | 47,415 | 1,284,058 |
| Noncurrent Liabilities: | | | | | | | | |
| Long-Term Debt | 378,987 | - | - | 292,613 | 897,176 | 40,000 | 646,000 | 2,254,776 |
| Other Noncurrent Liabilities | - | - | 59,500 | - | - | - | - | 59,500 |
| Total Liabilities | 426,654 | - | 231,172 | 325,173 | 1,878,920 | 43,000 | 693,415 | 3,598,334 |
| Net Assets: | | | | | | | | |
| Capital Assets - Net | 226,579 | - | 680,588 | 388,267 | 3,454,568 | 228,505 | 85,705 | 5,064,212 |
| of Related Debt | 308,680 | - | - | 71,143 | 673,391 | - | - | 1,053,214 |
| Restricted | 671,765 | - | 1,410,295 | 48,040 | 3,194,880 | 164,196 | 50,458 | 5,539,634 |
| Unrestricted | | | | | | | | |
| Net Assets | 1,207,024 | - | 2,090,883 | 507,450 | 7,322,839 | 392,701 | 136,163 | 11,657,060 |
| Total Liabilities and Net Assets | 1,633,678 | - | 2,322,055 | 832,623 | 9,201,759 | 435,701 | 829,578 | 15,255,394 |

KANE COUNTY
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 17 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
Condensed Statement of Revenues, Expenses and Changes in Net Assets:

Governmental Activities:

| | Cedar Mountain Fire Protection District | Kane County Recreation and Transportation Special Service District | Total |
|------------------------|---|--|-----------|
| Revenues | 732,295 | - | 732,295 |
| Current Expenses | (389,853) | - | (389,853) |
| Change in Net Assets | 342,442 | - | 342,442 |
| Net Assets - Beginning | 864,582 | - | 864,582 |
| Net Assets - Ending | 1,207,024 | - | 1,207,024 |

Business Type Activities:

| | Western Kane County Special Service District #1 | Glen Canyon Special Service District #1 | Kane County Human Resource Special Service District | Church Wells Special Service District | East Zions Special Service District | Total |
|------------------------------|--|---|--|--|--|-------------|
| Operating Revenue | 682,102 | 154,924 | 8,902,841 | 60,106 | 110,087 | 9,910,060 |
| Operating Expenses: | | | | | | |
| Depreciation | (105,607) | (51,038) | (577,847) | (18,579) | (37,538) | (790,609) |
| Other | (440,360) | (116,105) | (7,342,883) | (46,504) | (36,645) | (7,982,497) |
| Operating Income (Loss) | 136,135 | (12,219) | 982,111 | (4,977) | 35,904 | 1,136,954 |
| Non-Operating Revenues: | | | | | | |
| Other Income (Expense) | - | 25,740 | 259,363 | 28,710 | 4,266 | 318,079 |
| Interest Income | 46,785 | 2,684 | 25,251 | 261 | 134 | 75,115 |
| Interest Expense | - | (6,534) | (74,898) | (1,719) | (28,042) | (111,193) |
| Total Non-Operating Revenues | 46,785 | 21,890 | 209,716 | 27,252 | (23,642) | 282,001 |
| Change in Net Assets | 182,920 | 9,671 | 1,191,827 | 22,275 | 12,262 | 1,418,955 |
| Net Assets - Beginning | 1,907,963 | 497,779 | 6,131,012 | 370,426 | 123,901 | 9,031,081 |
| Net Assets - Ending | 2,090,883 | 507,450 | 7,322,839 | 392,701 | 136,163 | 10,450,036 |

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**KANE COUNTY
CONDITION RATING OF THE COUNTY'S ROAD SYSTEM**

For The Year Ended December 31, 2005

Percentage of Lane-Miles in Good or Better Condition in 2002, 2003, 2004 and 2005:

| | <u>Paved</u> | <u>Gravel</u> | <u>Dirt (Native)</u> | <u>Bridges</u> | <u>Overall System</u> |
|------|--------------|---------------|----------------------|----------------|-----------------------|
| 2002 | 87 | 80 | 20 | 100 | 62 |
| 2003 | 89 | 83 | 20 | 100 | 63 |
| 2004 | 91 | 83 | 20 | 100 | 65 |
| 2005 | 89 | 81 | 77 | 100 | 63 |

Percentage of Lane-Miles in Substandard Condition in 2002, 2003, 2004 and 2005:

| | <u>Paved</u> | <u>Gravel</u> | <u>Dirt (Native)</u> | <u>Bridges</u> | <u>Overall System</u> |
|------|--------------|---------------|----------------------|----------------|-----------------------|
| 2002 | 5 | 20 | 80 | 0 | 35 |
| 2003 | 5 | 20 | 80 | 0 | 35 |
| 2004 | 6 | 20 | 75 | 0 | 34 |
| 2005 | 7 | 13 | 11 | 0 | 12 |

Comparison of Needed-to-Actual Maintenance/Preservation in 2002, 2003, 2004 and 2005 - Roads and Bridges:

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-----------------|-----------------|---------------|---------------|---------------|
| Paved: | | | | |
| Needed | 370,474 | 422,827 | 452,000 | 171,297 |
| Actual | 390,300 | 421,849 | 430,000 | 165,793 |
| Gravel: | | | | |
| Needed | 453,213 | 136,153 | 405,000 | 23,587 |
| Actual | 481,370 | 158,417 | 350,000 | 248,781 |
| Dirt (Native): | | | | |
| Needed | 411,226 | 671,686 | 705,000 | 1,152,361 |
| Actual | 429,330 | 618,404 | 690,000 | 1,130,470 |
| Overall System: | | | | |
| Needed | 1,234,913 | 1,230,666 | 1,562,000 | 1,557,245 |
| Actual | 1,301,000 | 1,198,670 | 1,470,000 | 1,545,044 |
| Difference | <u>(66,087)</u> | <u>31,996</u> | <u>92,000</u> | <u>12,201</u> |

The condition of road pavement is measured using the American... (AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the County's policy to maintain at least 80 percent of its road system at a good or better condition level. No more than 20 percent should be in substandard condition for paved and gravel roads. It is also the County's policy to maintain at least 20 percent of its native road system at a good or better condition level. No more than 80 percent should be in substandard condition for native road system. Condition assessments are determined every year.

This schedule only presents the information for the last three years. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the County implemented these new standards in 2002, and did not collect this information for the prior years. The County will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the County's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the County's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u> | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---------------------------------------|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Fund Balance, January 1 | <u>1,166,688</u> | <u>1,166,688</u> | <u>1,166,688</u> | <u>-</u> |
| Resources (Inflows): | | | | |
| Property Taxes | 2,115,318 | 2,115,318 | 2,195,144 | 79,826 |
| Sales Taxes | 400,000 | 400,000 | 366,668 | (33,332) |
| Licenses and Permits | 220,900 | 220,900 | 281,149 | 60,249 |
| Intergovernmental Revenue | 765,470 | 765,470 | 724,482 | (40,988) |
| Charges for Services | 428,200 | 428,200 | 331,724 | (96,476) |
| Fines and Forfeitures | 310,000 | 310,000 | 344,754 | 34,754 |
| Miscellaneous Revenue | 71,000 | 71,000 | 77,765 | 6,765 |
| Use of Surplus | <u>213,544</u> | <u>260,213</u> | <u>-</u> | <u>(260,213)</u> |
| Total Resources | <u>4,524,432</u> | <u>4,571,101</u> | <u>4,321,686</u> | <u>(249,415)</u> |
| Amounts Available for Appropriation | <u>5,691,120</u> | <u>5,737,789</u> | <u>5,488,374</u> | <u>(249,415)</u> |
| Charges to Appropriations (Outflows): | | | | |
| General Government: | | | | |
| Commission | 137,213 | 137,213 | 118,100 | 19,113 |
| Legal and Technical Assistance | 45,000 | 45,000 | 117,340 | (72,340) |
| Human Resources | 44,709 | 44,709 | 42,854 | 1,855 |
| Volunteer Center/Vista | 15,000 | 15,000 | 15,000 | - |
| District Court | 83,668 | 83,668 | 81,032 | 2,636 |
| J. P. Court | 164,343 | 165,343 | 165,245 | 98 |
| Public Defender | 47,135 | 43,135 | 45,579 | (2,444) |
| Law Library | 8,300 | 8,300 | 8,154 | 146 |
| Data Processing | 151,707 | 219,587 | 196,484 | 23,103 |
| Clerk-Auditor | 94,417 | 94,417 | 92,119 | 2,298 |
| Treasurer | 104,193 | 104,193 | 101,226 | 2,967 |
| Recorder | 159,387 | 159,387 | 139,803 | 19,584 |
| Attorney | 222,031 | 226,031 | 215,236 | 10,795 |
| Assessor | 234,590 | 236,788 | 240,987 | (4,199) |
| Motor Vehicles | 54,896 | 52,698 | 52,053 | 645 |
| Non-Departmental | 762,572 | 694,692 | 592,154 | 102,538 |
| Building and Grounds | 247,875 | 247,875 | 261,104 | (13,229) |
| Elections | 22,230 | 22,230 | 22,048 | 182 |
| Council On Aging | 40,540 | 40,540 | 37,972 | 2,568 |
| Planning and Zoning | <u>31,745</u> | <u>44,424</u> | <u>50,938</u> | <u>(6,514)</u> |
| Total General Government | <u>2,671,551</u> | <u>2,685,230</u> | <u>2,595,428</u> | <u>89,802</u> |

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u> | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Charges to Appropriations (Outflows) Continued: | | | | |
| Public Safety: | | | | |
| Sheriff | 690,996 | 715,689 | 708,835 | 6,854 |
| Dispatch Services | 261,782 | 266,782 | 249,670 | 17,112 |
| Emergency Services | 25,700 | 25,700 | 10,092 | 15,608 |
| Fire Suppression | 117,000 | 117,000 | 66,582 | 50,418 |
| County Jail | 325,277 | 329,464 | 330,087 | (623) |
| Building Inspector | 144,574 | 142,240 | 135,500 | 6,740 |
| Total Public Safety | <u>1,565,329</u> | <u>1,596,875</u> | <u>1,500,766</u> | <u>96,109</u> |
| Health and Public Welfare: | | | | |
| Health Services | 42,980 | 42,980 | 44,632 | (1,652) |
| Public Welfare | <u>3,500</u> | <u>3,500</u> | <u>1,935</u> | <u>1,565</u> |
| Total Health and Public Welfare | <u>46,480</u> | <u>46,480</u> | <u>46,567</u> | <u>(87)</u> |
| Highway and Public Improvements | <u>35,250</u> | <u>35,250</u> | <u>24,475</u> | <u>10,775</u> |
| Parks, Recreation and Public Property | <u>48,956</u> | <u>50,401</u> | <u>49,701</u> | <u>700</u> |
| Extension Office | <u>37,502</u> | <u>37,501</u> | <u>35,527</u> | <u>1,974</u> |
| Contributions | <u>32,000</u> | <u>32,000</u> | <u>26,027</u> | <u>5,973</u> |
| Transfers | <u>87,364</u> | <u>87,364</u> | <u>87,364</u> | <u>-</u> |
| Total Charges to Appropriations | <u>4,524,432</u> | <u>4,571,101</u> | <u>4,365,855</u> | <u>204,546</u> |
| Budgetary Fund Balance - December 31 | <u>1,166,688</u> | <u>1,166,688</u> | <u>1,122,519</u> | <u>(44,869)</u> |

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
CLASS B ROAD**

For The Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> (Budgetary Basis) (See Note A) | Variance With Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-------------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Fund Balance, January 1 | <u>2,562,222</u> | <u>2,562,222</u> | <u>2,562,222</u> | <u>-</u> |
| Resources (Inflows): | | | | |
| Intergovernmental | 1,106,990 | 1,106,990 | 1,053,351 | (53,639) |
| Charges for Services | - | - | 84,943 | 84,943 |
| Miscellaneous | <u>450,254</u> | <u>450,254</u> | <u>70,259</u> | <u>(379,995)</u> |
| Total Resources | <u>1,557,244</u> | <u>1,557,244</u> | <u>1,208,553</u> | <u>(348,691)</u> |
| Amounts Available for Appropriation | <u>4,119,466</u> | <u>4,119,466</u> | <u>3,770,775</u> | <u>(348,691)</u> |
| Charges to Appropriations (Outflows): | | | | |
| County Roads | <u>1,557,244</u> | <u>1,557,244</u> | <u>1,545,045</u> | <u>12,199</u> |
| Total Charges to Appropriations | <u>1,557,244</u> | <u>1,557,244</u> | <u>1,545,045</u> | <u>12,199</u> |
| Budgetary Fund Balance - December 31 | <u><u>2,562,222</u></u> | <u><u>2,562,222</u></u> | <u><u>2,225,730</u></u> | <u><u>(336,492)</u></u> |

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u> | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---------------------------------------|-------------------------|-------------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Fund Balance, January 1 | <u>1,128,045</u> | <u>1,128,045</u> | <u>1,128,045</u> | <u>-</u> |
| Resources (Inflows): | | | | |
| Miscellaneous | 520,000 | 605,000 | 45,296 | (559,704) |
| Transfers | - | - | 27,000 | 27,000 |
| Prior Years Surplus | <u>1,350,000</u> | <u>1,350,000</u> | <u>-</u> | <u>(1,350,000)</u> |
| Total Resources | <u>1,870,000</u> | <u>1,955,000</u> | <u>72,296</u> | <u>(1,882,704)</u> |
| Amounts Available for Appropriation | <u>2,998,045</u> | <u>3,083,045</u> | <u>1,200,341</u> | <u>(1,882,704)</u> |
| Charges to Appropriations (Outflows): | | | | |
| Miscellaneous | <u>1,870,000</u> | <u>1,955,000</u> | <u>12,205</u> | <u>1,942,795</u> |
| Total Charges to Appropriations | <u>1,870,000</u> | <u>1,955,000</u> | <u>12,205</u> | <u>1,942,795</u> |
| Budgetary Fund Balance - December 31 | <u><u>1,128,045</u></u> | <u><u>1,128,045</u></u> | <u><u>1,188,136</u></u> | <u><u>60,091</u></u> |

**KANE COUNTY
BUDGETARY COMPARISON SCHEDULE
HOSPITAL FUND**

For The Year Ended December 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> (Budgetary Basis) (See Note A) | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---------------------------------------|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Fund Balance, January 1 | <u>55,881</u> | <u>55,881</u> | <u>55,881</u> | <u>-</u> |
| Resources (Inflows): | | | | |
| Tax Proceeds | 900,000 | 998,000 | 1,111,477 | 113,477 |
| Intergovernmental | 134,000 | 134,000 | 137,523 | 3,523 |
| Other | <u>-</u> | <u>-</u> | <u>4,420</u> | <u>4,420</u> |
| Total Resources | <u>1,034,000</u> | <u>1,132,000</u> | <u>1,253,420</u> | <u>121,420</u> |
| Amounts Available for Appropriation | <u>1,089,881</u> | <u>1,187,881</u> | <u>1,309,301</u> | <u>121,420</u> |
| Charges to Appropriations (Outflows): | | | | |
| Hospital Operations | 562,000 | 660,000 | 706,128 | (46,128) |
| Bond Principal Payments | 407,000 | 407,000 | 406,153 | 847 |
| Bond Interest Payments | <u>65,000</u> | <u>65,000</u> | <u>64,854</u> | <u>146</u> |
| Total Charges to Appropriations | <u>1,034,000</u> | <u>1,132,000</u> | <u>1,177,135</u> | <u>(45,135)</u> |
| Budgetary Fund Balance - December 31 | <u>55,881</u> | <u>55,881</u> | <u>132,166</u> | <u>76,285</u> |

**KANE COUNTY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Year Ended December 31, 2005

| | <u>General Fund</u> | <u>Class B Road</u> | <u>Municipal Building Authority</u> | <u>Hospital</u> |
|---|-------------------------|-------------------------|---|------------------|
| Sources/Inflows and Resources: | | | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules. | 5,488,374 | 3,770,775 | 1,200,341 | 1,309,301 |
| Differences - Budget to GAAP: | | | | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | (1,166,688) | (2,562,222) | (1,128,045) | (55,881) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | - | - | (27,000) | - |
| Bond proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes but are other financing sources. | - | - | - | - |
| Total revenues as reported on the statement of revenues, revenues, expenditures and changes in fund balances - governmental funds. | <u>4,321,686</u> | <u>1,208,553</u> | <u>45,296</u> | <u>1,253,420</u> |
| Uses/Outflows of Resources: | | | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules. | 4,365,855 | 1,545,045 | 12,205 | 1,177,135 |
| Differences - Budget to GAAP: | | | | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (87,364) | - | - | - |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u>4,278,491</u> | <u>1,545,045</u> | <u>12,205</u> | <u>1,177,135</u> |

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

(This page contains no information and
is used to assist in formatting, for easier reading)

KANE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For The Year Ended December 31, 2005

| | Balance December 31, 2004 | Additions | Deletions | Balance December 31, 2005 |
|----------------------------------|---------------------------------|-------------------|-------------------|---------------------------------|
| PROPERTY TAX FUND | | | | |
| ASSETS | | | | |
| Cash | 370,439 | 8,215,680 | 8,189,105 | 397,014 |
| Taxes Receivable | 32,030 | 81,213 | 32,030 | 81,213 |
| TOTAL ASSETS | <u>402,469</u> | <u>8,296,893</u> | <u>8,221,135</u> | <u>478,227</u> |
| LIABILITIES | | | | |
| Due to Taxing Units | 400,178 | 8,128,045 | 8,051,320 | 476,903 |
| Collections Payable | 2,291 | 136,818 | 137,785 | 1,324 |
| TOTAL LIABILITIES | <u>402,469</u> | <u>8,264,863</u> | <u>8,189,105</u> | <u>478,227</u> |
| CLERK'S TRUST FUND | | | | |
| ASSETS | | | | |
| Cash | 94,928 | 591,932 | 560,156 | 126,704 |
| LIABILITIES | | | | |
| Collections Payable | 94,928 | 591,932 | 560,156 | 126,704 |
| PAYROLL TRUST FUND | | | | |
| ASSETS | | | | |
| Cash | 136 | 2,782,969 | 2,783,105 | - |
| LIABILITIES | | | | |
| Collections Payable | 136 | 2,782,969 | 2,783,105 | - |
| TOTALS - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash | 465,503 | 11,590,581 | 11,532,366 | 523,718 |
| Taxes Receivable | 32,030 | 81,213 | 32,030 | 81,213 |
| TOTAL ASSETS | <u>497,533</u> | <u>11,671,794</u> | <u>11,564,396</u> | <u>604,931</u> |
| LIABILITIES | | | | |
| Due to Taxing Units | 400,178 | 8,128,045 | 8,051,320 | 476,903 |
| Collections Payable | 97,355 | 3,511,719 | 3,481,046 | 128,028 |
| TOTAL LIABILITIES | <u>497,533</u> | <u>11,639,764</u> | <u>11,532,366</u> | <u>604,931</u> |

**KANE COUNTY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND DEBT SERVICE FUNDS**

For The Year Ended December 31, 2005

SPECIAL REVENUE

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

E-911 Fund:

This fund is used to account for monies collected on telephone bills for providing 911 emergency services in the County.

County Fair:

This fund is used to account for monies collected and expended for the County Fair.

Council on Aging:

This fund is used to account for monies collected and expended on activities for the senior citizens.

Municipal Building Authority - Rest:

This fund is used to construct public facilities in the County and to pay the indebtedness related to the cost of those facilities. This fund collects restaurant tax monies to make the debt service payments.

Victims Advocate Fund:

This fund receives monies to be used to help victims of crimes within the County.

Grants and Reimbursements Fund:

This fund accounts for special grants and reimbursements received by the County.

Transient Room Tax Fund:

This fund is used to account for room taxes collected within the County to fund promotion of Kane County.

Cedar Mountain Special Service District Payroll Funds:

These funds are used to collect monies from the Special Service Districts for providing payroll services for the Districts.

**KANE COUNTY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND DEBT SERVICE FUNDS**

For The Year Ended December 31, 2005

AERO Division Fund:

This fund is used to maintain and operate the County airplane.

Narcotics Task Force Fund:

This fund is used to account for the activities of the narcotics task force in the County. These funds are restricted for providing law enforcement activities regarding illegal drug use in the County.

DEBT SERVICE FUNDS

Debt Service Funds are used to service debt of governmental fund type activities.

Arena Revenue Bond Fund:

This fund services debt related to the construction of the County rodeo arena facilities.

**KANE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2005

| | <u>Enhanced 911</u> | <u>County Fair</u> | <u>Council On Aging</u> | <u>MBA 1% Restaurant Tax</u> | <u>Victims Advocate</u> |
|--|-------------------------|------------------------|-----------------------------|--------------------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash | 65,816 | 3,169 | 24,587 | 81,174 | 12,574 |
| Restricted Cash: | | | | | |
| Bond Reserves | - | - | - | - | - |
| Due from Other Gov't Units | - | - | - | - | - |
| TOTAL ASSETS | <u>65,816</u> | <u>3,169</u> | <u>24,587</u> | <u>81,174</u> | <u>12,574</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | 1,696 | - | 1,876 | - | - |
| Accrued Liabilities | - | - | 142 | - | - |
| Total Liabilities | <u>1,696</u> | <u>-</u> | <u>2,018</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | | |
| Unreserved, Reported in: | | | | | |
| Debt Service Fund | - | - | - | - | - |
| Special Revenue Funds | 64,120 | 3,169 | 22,569 | 81,174 | 12,574 |
| Total Fund Balances | <u>64,120</u> | <u>3,169</u> | <u>22,569</u> | <u>81,174</u> | <u>12,574</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>65,816</u> | <u>3,169</u> | <u>24,587</u> | <u>81,174</u> | <u>12,574</u> |

| <u>Grants and Reimburs.</u> | <u>Transient Room Tax</u> | <u>Cedar Mountain FPD Payroll</u> | <u>AERO Division</u> | <u>Strike Force</u> | <u>Arena Revenue Bonds</u> | <u>Nonmajor Gov't Funds</u> |
|-------------------------------------|-----------------------------------|---|--------------------------|-------------------------|------------------------------------|-------------------------------------|
| (16,130) | 68,221 | (19,653) | 139,828 | (16,430) | - | 343,156 |
| - | - | - | - | - | 3,666 | 3,666 |
| <u>16,130</u> | <u>-</u> | <u>19,798</u> | <u>-</u> | <u>56,302</u> | <u>-</u> | <u>92,230</u> |
| <u>-</u> | <u>68,221</u> | <u>145</u> | <u>139,828</u> | <u>39,872</u> | <u>3,666</u> | <u>439,052</u> |
| - | 108 | - | - | 732 | - | 4,412 |
| <u>-</u> | <u>375</u> | <u>145</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>662</u> |
| <u>-</u> | <u>483</u> | <u>145</u> | <u>-</u> | <u>732</u> | <u>-</u> | <u>5,074</u> |
| - | - | - | - | - | 3,666 | 3,666 |
| <u>-</u> | <u>67,738</u> | <u>-</u> | <u>139,828</u> | <u>39,140</u> | <u>-</u> | <u>430,312</u> |
| <u>-</u> | <u>67,738</u> | <u>-</u> | <u>139,828</u> | <u>39,140</u> | <u>3,666</u> | <u>433,978</u> |
| <u>-</u> | <u>68,221</u> | <u>145</u> | <u>139,828</u> | <u>39,872</u> | <u>3,666</u> | <u>439,052</u> |

KANE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

| | <u>Enhanced 911</u> | <u>County Fair</u> | <u>Council On Aging</u> | <u>MBA 1% Restaurant Tax</u> | <u>Victims Advocate</u> |
|---|-------------------------|------------------------|-----------------------------|--------------------------------------|-----------------------------|
| Revenues: | | | | | |
| 1% Restaurant Tax | - | - | - | 91,090 | - |
| Transient Room Tax | - | - | - | - | - |
| Intergovernmental Revenue | 57,238 | - | 81,525 | - | 13,956 |
| Interest | 1,812 | - | - | - | - |
| Miscellaneous | - | 520 | 18,772 | 8,833 | 1,991 |
| Total Revenues | <u>59,050</u> | <u>520</u> | <u>100,297</u> | <u>99,923</u> | <u>15,947</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | 37,915 | - | - | - | 14,351 |
| Public Health | - | - | 198,123 | - | - |
| Parks and Recreation | - | - | - | 172,558 | - |
| County Promotion | - | 10,320 | - | - | - |
| Total Expenditures | <u>37,915</u> | <u>10,320</u> | <u>198,123</u> | <u>172,558</u> | <u>14,351</u> |
| Excess of Revenues Over (Under) Expenditures | 21,135 | (9,800) | (97,826) | (72,635) | 1,596 |
| Other Financing Sources (Uses): | | | | | |
| Transfer In (Out) | - | 11,550 | 69,814 | (27,000) | - |
| Net Change in Fund Balance | 21,135 | 1,750 | (28,012) | (99,635) | 1,596 |
| Fund Balances - Beginning | <u>42,985</u> | <u>1,419</u> | <u>50,581</u> | <u>180,809</u> | <u>10,978</u> |
| Fund Balances - Ending | <u>64,120</u> | <u>3,169</u> | <u>22,569</u> | <u>81,174</u> | <u>12,574</u> |

| <u>Grants and Reimburs.</u> | <u>Transient Room Tax</u> | <u>Cedar Mountain FPD Payroll</u> | <u>AERO Division</u> | <u>Strike Force</u> | <u>Arena Revenue Bonds</u> | <u>Nonmajor Gov't Funds</u> |
|-------------------------------------|-----------------------------------|---|--------------------------|-------------------------|------------------------------------|-------------------------------------|
| - | - | - | - | - | - | 91,090 |
| - | 348,840 | - | - | - | - | 348,840 |
| 80,282 | - | - | - | 78,587 | 3,654 | 315,242 |
| - | - | - | - | - | - | 1,812 |
| - | 41,228 | 71,260 | - | 4,795 | - | 147,399 |
| <u>80,282</u> | <u>390,068</u> | <u>71,260</u> | <u>-</u> | <u>83,382</u> | <u>3,654</u> | <u>904,383</u> |
| - | - | 71,260 | - | - | - | 71,260 |
| - | - | - | 2,974 | 107,136 | - | 162,376 |
| - | - | - | - | - | - | 198,123 |
| - | - | - | - | - | 324 | 172,882 |
| 88,961 | 357,761 | - | - | - | - | 457,042 |
| <u>88,961</u> | <u>357,761</u> | <u>71,260</u> | <u>2,974</u> | <u>107,136</u> | <u>324</u> | <u>1,061,683</u> |
| (8,679) | 32,307 | - | (2,974) | (23,754) | 3,330 | (157,300) |
| - | - | - | 6,000 | - | - | 60,364 |
| (8,679) | 32,307 | - | 3,026 | (23,754) | 3,330 | (96,936) |
| 8,679 | 35,431 | - | 136,802 | 62,894 | 336 | 530,914 |
| <u>-</u> | <u>67,738</u> | <u>-</u> | <u>139,828</u> | <u>39,140</u> | <u>3,666</u> | <u>433,978</u> |

**KANE COUNTY
TREASURER'S TAX COLLECTION TRUST FUND
BALANCE SHEET**

December 31, 2005

Assets:

Cash In Checking
Taxes Receivable

397,014

81,213

Total Assets

478,227

Liabilities:

Refunds Payable
Due to Taxing Units

1,324

476,903

Total Liabilities

478,227

**KANE COUNTY
COUNTY TREASURER
CURRENT YEAR TAXABLE VALUES**

December 31, 2005

| TAXING UNITS | Real Property Values | Centrally Assessed Values | Total Real and Centrally Assessed Values | Total Real and Centrally Assessed Tax Rates | Taxes Charged | Personal Property Values | Personal Property Tax Rates | Personal Property Taxes Charged | Total Taxes Charged |
|---|----------------------------|---------------------------------|---|--|------------------|--------------------------------|-----------------------------------|--|---------------------------|
| County Funds: | | | | | | | | | |
| General | 661,845,199 | 22,727,656 | 684,572,855 | .001703 | 1,165,828 | 17,339,518 | .001860 | 32,252 | 1,198,079 |
| State Assessing/Collecting | 661,845,199 | 22,727,656 | 684,572,855 | .000173 | 118,431 | 17,339,518 | .000180 | 3,121 | 121,552 |
| Local Assessing/Collecting | 661,845,199 | 22,727,656 | 684,572,855 | .000300 | 205,372 | 17,339,518 | .000127 | 2,202 | 207,574 |
| Health | 661,845,199 | 22,727,656 | 684,572,855 | .000072 | 49,289 | 17,339,518 | - | - | 49,289 |
| Library | 661,845,199 | 22,727,656 | 684,572,855 | .000079 | 54,081 | 17,339,518 | - | - | 54,081 |
| Total County Funds | | | | | <u>1,593,001</u> | | | <u>37,575</u> | <u>1,630,576</u> |
| Kane County School District | 661,845,199 | 22,727,656 | 684,572,855 | .004618 | 3,161,357 | 17,339,518 | .004630 | 80,282 | 3,241,639 |
| Cities and Towns: | | | | | | | | | |
| Alton | 3,816,847 | 58,016 | 3,874,863 | .003623 | 14,039 | 101,054 | .003763 | 380 | 14,419 |
| Glendale | 10,937,656 | 420,663 | 11,358,319 | .002459 | 27,930 | 146,727 | .002584 | 379 | 28,309 |
| Kanab | 164,000,512 | 5,532,157 | 169,532,669 | .001789 | 303,294 | 4,471,723 | .001923 | 8,599 | 311,893 |
| Orderville | 20,316,417 | 918,908 | 21,235,325 | .002170 | 46,081 | 655,372 | .002210 | 1,448 | 47,529 |
| Big Water | 24,396,455 | 391,429 | 24,787,884 | .001617 | 40,082 | 270,887 | .001651 | 447 | 40,529 |
| Total Towns | | | | | <u>431,425</u> | | | <u>11,254</u> | <u>442,679</u> |
| Cedar Mountain Fire District | - | - | - | - | 442,710 | - | - | - | 442,710 |
| Cedar Mountain Snow Removal | - | - | - | - | 132,495 | - | - | - | 132,495 |
| West Kane County SSD #1 | - | - | - | - | 165,850 | - | - | - | 165,850 |
| Glen Canyon SSD | - | - | - | - | 61,056 | - | - | - | 61,056 |
| East Zions SSD - Fire | - | - | - | - | 10,102 | - | - | - | 10,102 |
| East Zions SSD - Water | - | - | - | - | 80,804 | - | - | - | 80,804 |
| Church Wells SSD | 2,918,742 | 61,750 | 2,980,492 | .000472 | 1,407 | 42,655 | .000490 | 21 | 1,428 |
| Kane County Water Conservancy District | 661,845,199 | 22,727,656 | 684,572,855 | .000775 | 530,544 | 17,339,518 | .000847 | 14,687 | 545,231 |
| GRAND TOTALS | | | | | <u>6,610,752</u> | | | <u>143,818</u> | <u>6,754,570</u> |

**KANE COUNTY
COUNTY TREASURER
STATEMENT OF TAXES CHARGED, COLLECTED AND DISBURSED
CURRENT AND PRIOR YEARS**

December 31, 2005

| Current Years Taxes | | | | | |
|---|------------------|--------------------|------------|-------------|--------------------------------|
| TAXING UNITS | Taxes Charged | Treasurer's Relief | | | Total Treasurer's Relief |
| | | Unpaid Taxes | Abatements | Adjustments | |
| County Funds: | | | | | |
| General | 1,198,079 | 104,399 | 4,208 | 1,017 | 109,624 |
| Debt Service | - | - | - | - | - |
| State Assessing/Collecting | 121,552 | 10,605 | 427 | (18) | 11,014 |
| Local Assessing/Collecting | 207,574 | 18,391 | 741 | (3,243) | 15,889 |
| Health | 49,289 | 4,414 | 178 | (1,307) | 3,285 |
| Library | 54,081 | 4,843 | 195 | (1,434) | 3,604 |
| Total County Funds | 1,630,575 | 142,652 | 5,749 | (4,985) | 143,416 |
| Kane County School District | 3,241,639 | 283,096 | 11,409 | (3,536) | 290,969 |
| Cities and Towns: | | | | | |
| Alton | 14,419 | 654 | 47 | 62 | 763 |
| Glendale | 28,309 | 1,734 | 311 | 26 | 2,071 |
| Kanab | 311,893 | 15,319 | 2,766 | 1,061 | 19,146 |
| Orderville | 47,529 | 2,977 | 293 | (117) | 3,153 |
| Big Water | 40,529 | 6,680 | 79 | 3 | 6,762 |
| Total Towns | 442,679 | 27,364 | 3,496 | 1,035 | 31,895 |
| Cedar Mountain Fire District | 442,710 | - | - | - | - |
| Cedar Mountain Snow Removal | 132,495 | - | - | - | - |
| West Kane County SSD #1 | 165,850 | - | - | - | - |
| Glen Canyon SSD | 61,056 | - | - | - | - |
| East Zions SSD - Fire | 10,102 | - | - | - | - |
| East Zions SSD - Water | 80,804 | - | - | - | - |
| Church Wells SSD | 1,428 | 123 | 34 | 6 | 163 |
| Kane County Water Conservancy District | 545,231 | 47,510 | 1,915 | 620 | 50,045 |
| GRAND TOTALS | 6,754,569 | 500,745 | 22,603 | (6,860) | 516,488 |

| Current Years Taxes | | | Other Collections | | | |
|---------------------|----------------|---------------------------|-------------------|--|----------------|-------------------------|
| Taxes Collected | Percent | Penalties and Interest | Fee In Lieu | Motor Vehicle and Interest Collections | Delinquencies | |
| | | | | | Tax | Interest and Penalty |
| 1,088,455 | 90.85% | 6,119 | 232,366 | 13,739 | 135,424 | 46,708 |
| 110,538 | 90.94% | 76 | 23,605 | 1,178 | 312 | 42 |
| 191,685 | 92.35% | 132 | 40,933 | 2,042 | 12,899 | 576 |
| 46,004 | 93.34% | 32 | 9,824 | 490 | 9,269 | 421 |
| 50,477 | 93.34% | 35 | 10,779 | 538 | - | - |
| <u>1,487,159</u> | <u>91.20%</u> | <u>6,394</u> | <u>317,507</u> | <u>17,987</u> | <u>157,904</u> | <u>47,747</u> |
| <u>2,950,670</u> | <u>91.02%</u> | <u>2,035</u> | <u>630,103</u> | <u>35,693</u> | <u>338,201</u> | <u>15,139</u> |
| 13,656 | 94.71% | 7 | 3,796 | 172 | 672 | 20 |
| 26,238 | 92.68% | 11 | 6,633 | 259 | 1,777 | 100 |
| 292,747 | 93.86% | 109 | 62,743 | 2,226 | 35,188 | 1,447 |
| 44,376 | 93.37% | 29 | 9,936 | 402 | 1,632 | 54 |
| 33,767 | 83.32% | 19 | 6,356 | 249 | 8,199 | 357 |
| <u>410,784</u> | <u>92.80%</u> | <u>175</u> | <u>89,464</u> | <u>3,308</u> | <u>47,468</u> | <u>1,978</u> |
| <u>442,710</u> | <u>100.00%</u> | <u>-</u> | <u>-</u> | <u>639</u> | <u>-</u> | <u>-</u> |
| <u>132,495</u> | <u>100.00%</u> | <u>-</u> | <u>-</u> | <u>191</u> | <u>-</u> | <u>-</u> |
| <u>165,850</u> | <u>100.00%</u> | <u>-</u> | <u>-</u> | <u>239</u> | <u>-</u> | <u>-</u> |
| <u>61,056</u> | <u>100.00%</u> | <u>-</u> | <u>-</u> | <u>88</u> | <u>-</u> | <u>-</u> |
| <u>10,102</u> | <u>100.00%</u> | <u>-</u> | <u>-</u> | <u>15</u> | <u>-</u> | <u>-</u> |
| <u>80,804</u> | <u>100.00%</u> | <u>-</u> | <u>-</u> | <u>117</u> | <u>-</u> | <u>-</u> |
| <u>1,265</u> | <u>88.59%</u> | <u>1</u> | <u>526</u> | <u>5</u> | <u>251</u> | <u>29</u> |
| <u>495,186</u> | <u>90.82%</u> | <u>342</u> | <u>105,745</u> | <u>5,990</u> | <u>61,866</u> | <u>2,817</u> |
| <u>6,238,081</u> | <u>92.35%</u> | <u>8,947</u> | <u>1,143,345</u> | <u>64,272</u> | <u>605,690</u> | <u>67,710</u> |

**KANE COUNTY
TAX COLLECTION TRUST FUND
CASH RECEIPTS AND DISBURSEMENTS**

For The Year Ended December 31, 2005

| | Treasurer's Balance December 31, 2004 | Tax Collection Receipts | Current Taxes Apportioned | Fee-In-Lieu Apportioned |
|-----------------------------------|--|-------------------------------|---------------------------------|----------------------------|
| Tax Collection Accounts: | | | | |
| Current Years Taxes | - | 6,238,081 | (6,238,081) | - |
| Penalty and Interest | - | 8,947 | (8,947) | - |
| Motor Carrier | - | 55,267 | - | - |
| Interest | - | 9,005 | - | - |
| Redemption of Prior Years Taxes | - | 673,400 | - | - |
| Fee-In-Lieu | - | 1,143,345 | - | (1,143,345) |
| Tax Sale | - | 65,464 | - | - |
| Refunds | - | 71,354 | - | - |
| | <u>-</u> | <u>8,264,863</u> | <u>(6,247,028)</u> | <u>(1,143,345)</u> |
| Total Collections | <u>-</u> | <u>8,264,863</u> | <u>(6,247,028)</u> | <u>(1,143,345)</u> |
| Taxing Units: | | | | |
| County General Fund | - | - | 1,094,574 | 232,366 |
| Debt Service | - | - | - | - |
| State Assessing and Collecting | - | - | 110,614 | 23,605 |
| Local Assessing and Collecting | - | - | 191,817 | 40,933 |
| Health | - | - | 46,036 | 9,824 |
| Library | - | - | 50,512 | 10,779 |
| Kane County School District | 293,607 | - | 2,952,705 | 630,103 |
| Cities and Towns: | | | | |
| Alton | 2,040 | - | 13,663 | 3,796 |
| Glendale | 3,902 | - | 26,249 | 6,633 |
| Kanab | 31,993 | - | 292,856 | 62,743 |
| Orderville | 3,348 | - | 44,405 | 9,936 |
| Big Water | 11,041 | - | 33,786 | 6,356 |
| Special Service Districts: | | | | |
| Cedar Mountain Fire District | 446 | - | 575,205 | - |
| West Kane County SSD#1 | 141 | - | 165,850 | - |
| Glen Canyon SSD | 50 | - | 61,056 | - |
| East Zions SSD - Fire | 10 | - | 10,102 | - |
| East Zions SSD - Water | 77 | - | 80,804 | - |
| Church Wells SSD | 221 | - | 1,266 | 526 |
| Kane Co. Water Conservancy Dist. | 53,302 | - | 495,528 | 105,745 |
| | <u>400,178</u> | <u>-</u> | <u>6,247,028</u> | <u>1,143,345</u> |
| Total Due Taxing Units | <u>400,178</u> | <u>-</u> | <u>6,247,028</u> | <u>1,143,345</u> |
| Grand Totals | <u>400,178</u> | <u>8,264,863</u> | <u>-</u> | <u>-</u> |

| <u>Motor Carrier Apportioned</u> | <u>Interest Apportioned</u> | <u>Delinquent Taxes Apportioned</u> | <u>Total</u> | <u>Disbursements</u> | <u>Treasurer's Balance December 31, 2005</u> |
|--|---------------------------------|---|------------------|----------------------|--|
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (55,267) | - | - | - | - | - |
| - | (9,005) | - | - | - | - |
| - | - | (673,400) | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 65,464 | 65,464 | - |
| - | - | - | 71,354 | 70,030 | 1,324 |
| <u>(55,267)</u> | <u>(9,005)</u> | <u>(673,400)</u> | <u>136,818</u> | <u>135,494</u> | <u>1,324</u> |
| 11,592 | 2,146 | 182,132 | 1,522,810 | 1,520,664 | 2,146 |
| - | - | 354 | 354 | 354 | - |
| 1,178 | - | 13,475 | 148,872 | 148,872 | - |
| 2,042 | - | 9,690 | 244,482 | 244,482 | - |
| 490 | - | - | 56,350 | 56,350 | - |
| 538 | - | - | 61,829 | 61,829 | - |
| 31,434 | 4,259 | 353,340 | 4,265,448 | 3,903,769 | 361,679 |
| 152 | 20 | 693 | 20,364 | 18,141 | 2,223 |
| 221 | 38 | 1,877 | 38,920 | 35,914 | 3,006 |
| 1,804 | 423 | 36,635 | 426,454 | 392,422 | 34,032 |
| 338 | 64 | 1,685 | 59,776 | 53,274 | 6,502 |
| 200 | 49 | 8,556 | 59,988 | 55,616 | 4,372 |
| - | 830 | - | 576,481 | 575,651 | 830 |
| - | 239 | - | 166,230 | 165,991 | 239 |
| - | 88 | - | 61,194 | 61,106 | 88 |
| - | 15 | - | 10,127 | 10,112 | 15 |
| - | 117 | - | 80,998 | 80,881 | 117 |
| 3 | 2 | 280 | 2,298 | 2,074 | 224 |
| <u>5,275</u> | <u>715</u> | <u>64,683</u> | <u>725,248</u> | <u>663,818</u> | <u>61,430</u> |
| <u>55,267</u> | <u>9,005</u> | <u>673,400</u> | <u>8,528,223</u> | <u>8,051,320</u> | <u>476,903</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>8,665,041</u> | <u>8,186,814</u> | <u>478,227</u> |

(This page contains no information and
is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING SNF ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kane County as and for the year ended December 31, 2005, which collectively comprise Kane County's basic financial statements and have issued our report thereon dated February 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kane County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

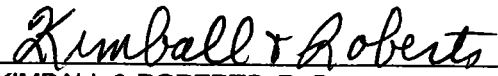
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kane County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Kane County in a separate letter dated February 22, 2006.

The Honorable Board of County Commissioners
Kane County
Page -2-

This report is intended solely for the information and use of the audit committee, management and County Commission and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

February 22, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board of County Commissioners
Kane County
Kanab, Utah 84741

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Kane County, for the year ended December 31, 2005, and have issued our report thereon dated February 22, 2006. As part of our audit, we have audited Kane County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The County received the following major State assistance programs from the State of Utah:

B Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Sewer and Restrooms (Department of Community and Economic Development)

The County also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Kane County's financial statements.)

Bookmobile Grant (Department of Community and Economic Development)
Senior Nutrition (Department of Human Services)
EMS Grant (Department of Health)
AGR Grant (Department of Administrative Affairs)
Predator Control (Department of Agriculture)
Mosquito Abatement (Department of Agriculture)

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

| | |
|--|---------------------------------|
| Public Debt | Other General Issues |
| Cash Management | Uniform Building Code Standards |
| Purchasing Requirements | Statement of Taxes Charged |
| Budgetary Compliance | Collected & Disbursed |
| Truth in Taxation & Property Tax Limitations | Assessing and Collecting of |
| Liquor Law Enforcement | Property Taxes |
| Justice Court | Transient Room Tax |
| B & C Road Funds | |

The management of Kane County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Kane County, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

February 22, 2006
Richfield, Utah